

TOWNSHIP OF LILLEY
(Newaygo)
FINANCIAL STATEMENTS

JUNE 30, 2004

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

| | | | |
|---|---------------------------------|---|--------------------------|
| Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other | | Local Government Name Lilley Township | County Newaygo |
| Audit Date 6/30/04 | Opinion Date 11/30/04 | Date Accountant Report Submitted to State: 12/30/04 | |

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

| | Enclosed | To Be Forwarded | Not Required |
|---|----------|-----------------|--------------|
| The letter of comments and recommendations. | ✓ | | |
| Reports on individual federal financial assistance programs (program audits). | | | ✓ |
| Single Audit Reports (ASLGU). | | | ✓ |

| | | | |
|--|------------------------|-------------------------|---------------------|
| Certified Public Accountant (Firm Name) Hendon & Slate, P.C. | | | |
| Street Address 711 W Main | City Fremont | State MI | ZIP 49412 |
| Accountant Signature <i>Jodi DeKunjen, CPA</i> | | Date 12/30/04 | |

TOWNSHIP OF LILLEY

Newaygo County, Michigan

Township Board

Jack Hoving

Supervisor

Marlene Stroop

Clerk

Kathryn Way

Treasurer

Gary Beak

Trustee

Gail Kretchman

Trustee

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HS & Companies



Hendon & Slate, P.C.

CERTIFIED PUBLIC ACCOUNTANTS
BUSINESS CONSULTANTS



Township Board
Township of Lilley
Newaygo County
Bitely, MI 49309

Independent Auditor's Report

We have audited the accompanying financial statements of each major fund and the aggregate remaining fund information of Lilley Township as of and for the year ended June 30, 2004 as shown on pages 2 through 5, which collectively comprise a portion of the Township's basic financial statements required by accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, a well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

Management has not presented government-wide financial statements to display the financial position and changes in financial position of its governmental activities, business-type activities, and discretely presented component units. Accounting principles generally accepted in the United States of America require the presentation of government-wide financial statements. The amounts that would be reported in government-wide financial statements for the Township's governmental activities are not reasonably determinable.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Lilley Township, as of June 30, 2004, or the changes in its financial position or its cash flows, where applicable, for the year then ended.

Hendon & Slate, P.C.

Hendon & Slate, P.C.
Certified Public Accountants
November 30, 2004

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TOWNSHIP OF LILLEY

Governmental Fund Balance Sheet June 30, 2004

| | General Fund | Road Fund | Sanitary Waste Fund | Fire Fund | Non-Major Governmental Funds | Total Governmental Funds |
|------------------------------------|-------------------|-----------------|---------------------------|------------------|------------------------------------|--------------------------------|
| Assets | | | | | | |
| Cash and Investments | \$ 143,677 | \$ 1,285 | \$ 58,272 | \$ 41,293 | \$ 8,657 | \$ 253,184 |
| Accounts Receivable | - | - | - | 6,246 | - | 6,246 |
| Due from Other Funds | <u>89</u> | <u>22</u> | <u>3,723</u> | <u>33</u> | <u>5</u> | <u>3,872</u> |
| Total Assets | <u>\$ 143,766</u> | <u>\$ 1,307</u> | <u>\$ 61,995</u> | <u>\$ 47,572</u> | <u>\$ 8,662</u> | <u>\$ 263,302</u> |
| Liabilities and Fund Equity | | | | | | |
| Liabilities | | | | | | |
| Accounts Payable | \$ - | \$ - | \$ 3,150 | \$ - | \$ - | \$ 3,150 |
| Due to Other Funds | <u>3,656</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>3,656</u> |
| Total Liabilities | 3,656 | - | 3,150 | - | - | 6,806 |
| Fund Equity | | | | | | |
| Fund Balances - Unreserved | <u>140,110</u> | <u>1,307</u> | <u>58,845</u> | <u>47,572</u> | <u>8,662</u> | <u>256,496</u> |
| Total Fund Equity | <u>140,110</u> | <u>1,307</u> | <u>58,845</u> | <u>47,572</u> | <u>8,662</u> | <u>256,496</u> |
| Total Liabilities and Fund Equity | <u>\$ 143,766</u> | <u>\$ 1,307</u> | <u>\$ 61,995</u> | <u>\$ 47,572</u> | <u>\$ 8,662</u> | <u>\$ 263,302</u> |

The Notes to the Financial Statements are an integral part of this statement.

TOWNSHIP OF LILLEY

Governmental Fund Statements of Revenue, Expenditures and Changes in Fund Balance June 30, 2004

| | General Fund | Road Fund | Sanitary Waste Fund | Fire Fund | Non-Major Governmental Funds | Total Governmental Funds |
|--|-------------------|-----------------|---------------------------|------------------|------------------------------------|--------------------------------|
| Revenues | | | | | | |
| Taxes | \$ 38,307 | \$ 22,094 | \$ 66,300 | \$ 32,480 | \$ 5,404 | \$ 164,585 |
| Licenses and Permits | 748 | - | - | - | 14,271 | 15,019 |
| PILT | - | 2,322 | - | - | - | 2,322 |
| State Grants | 58,843 | - | - | - | - | 58,843 |
| Charges for Services | 1,215 | 2,497 | - | 43,175 | 945 | 47,832 |
| Interest and Rentals | 1,177 | - | - | - | - | 1,177 |
| Other | - | 4,500 | - | - | - | 4,500 |
| Total Revenues | 100,290 | 31,413 | 66,300 | 75,655 | 20,620 | 294,278 |
| Expenditures | | | | | | |
| Legislative | 8,315 | - | - | - | - | 8,315 |
| General Government | 48,283 | - | - | - | - | 48,283 |
| Public Safety | 15,102 | - | - | 63,033 | 12,362 | 90,497 |
| Public Works | 5,788 | 39,408 | 47,744 | - | 8,534 | 101,474 |
| Other | 12,577 | - | - | - | - | 12,577 |
| Total Expenditures | 90,065 | 39,408 | 47,744 | 63,033 | 20,896 | 261,146 |
| Excess Revenues Over (Under) Expenditures | 10,225 | (7,995) | 18,556 | 12,622 | (276) | 33,132 |
| Fund Balance - Beginning | 129,885 | 9,302 | 40,289 | 34,950 | 8,938 | 223,364 |
| Fund Balance - Ending | \$ 140,110 | \$ 1,307 | \$ 58,845 | \$ 47,572 | \$ 8,662 | \$ 256,496 |

The Notes to the Financial Statements are an integral part of this statement.

TOWNSHIP OF LILLEY

**Statement of Net Assets - Fiduciary Fund
June 30, 2004**

| | Trust and Agency <u>Funds</u> |
|----------------------------------|-------------------------------------|
| ASSETS | |
| Cash/Investments | <u>\$ 991</u> |
| Total Assets | <u>\$ 991</u> |
| LIABILITIES AND NET ASSETS | |
| Liabilities | |
| Due to Other Funds | \$ 216 |
| Due to Other Units | 225 |
| Due to Schools | <u>550</u> |
| Total Liabilities | 991 |
| Net Assets | |
| Unreserved | <u>-</u> |
| Total Liabilities and Net Assets | <u>\$ 991</u> |

The Notes to the Financial Statements are an integral part of this statement.

TOWNSHIP OF LILLEY

Statement of Changes in Assets and Liabilities - Trust and Agency Fund June 30, 2004

| Trust and Agency Fund | Balance <u>7/1/03</u> | <u>Additions</u> | <u>Deductions</u> | Balance <u>6/30/04</u> |
|-----------------------|--------------------------|-------------------|-------------------|---------------------------|
| Assets | | | | |
| Cash | \$ <u>53</u> | \$ <u>602,225</u> | \$ <u>601,287</u> | \$ <u>991</u> |
| Total Assets | \$ <u>53</u> | \$ <u>602,225</u> | \$ <u>601,287</u> | \$ <u>991</u> |
| Liabilities | | | | |
| Due to Other Funds | \$ 53 | \$ 132,753 | \$ 132,590 | \$ 216 |
| Due to Other Units | - | 132,296 | 132,071 | 225 |
| Due to Schools | - | <u>337,176</u> | <u>336,626</u> | <u>550</u> |
| Total Liabilities | \$ <u>53</u> | \$ <u>602,225</u> | \$ <u>601,287</u> | \$ <u>991</u> |

The Notes to the Financial Statements are an integral part of this statement.

TOWNSHIP OF LILLEY

Notes to the Financial Statements June 30, 2004

NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Lilley Township conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units, except for the reporting requirements under GASB #34 (due to the lack of government-wide financial statements and management's discussion and analysis). The following is a summary of the significant accounting policies used by Lilley Township:

A. Reporting Entity

The reporting entity is a general law township as defined by the laws of the State of Michigan. The Township is governed by a Supervisor and Township Board.

As defined by Governmental Accounting Standards Board (GASB) No. 14, the financial reporting entity consists of (1) the primary government, (2) organizations for which the primary government is financially accountable, and (3) other organizations for which the primary government is not accountable, but for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The primary government has financial accountability if it:

1. Appoints a voting majority of the organization's board, and, has the ability to impose its will on the organization; or
2. There is a potential for the component unit to provide certain financial benefits to, or impose certain financial burdens on, the primary government.

Based upon this criteria, there are no other entities included in this report.

- #### B. Measurement Focus, Basis of Accounting and Financial Statement Presentation
- Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Revenues are recognized in the accounting period in which they become susceptible to accrual, that is when they become both measurable and available to finance expenditures of the fiscal period.

1. State Shared Revenue Receivable

State shared revenue is distributed in six installments per year. Often the last payment has not been received by June 30; therefore, a receivable is recorded for this amount. The final payment of \$9,419 was received on June 30, 2004, thus no receivable is recorded.

Notes to the Financial Statements (Continued)

2. Property Taxes Receivable

The Township property tax is levied on each December 1st on the taxable valuation of the property (as defined by state statutes) located in the Township as of the preceding December 31st. The taxes are due on September 14th and February 14th, with the final collection date of February 28th before they are added to the County tax rolls. The 2003 delinquent taxes of \$31,658 were received in May 2004, thus no taxes receivable has been recorded.

The 2003 taxable valuation of the Township totaled \$24,901,906 on which ad valorem taxes levied consisted of 1.2868 mills for general operating, 1.3429 mills for fire protection, 3.00 mills for transfer station operations, .2237 mills for cemetery operations, and 1.00 mills for roads. These amounts are recognized in the respective general and special revenue fund financial statements as current tax revenue.

The government reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Fire Fund accounts for the resources of property tax revenue and charges for services that are restricted for fire protection purposes.

The Sanitary Waste Fund accounts for property tax revenues that are restricted for the operation of the transfer station.

The Road Fund accounts for the resources of property tax revenue, charges for services and PILT monies for the maintenance of Township roads.

C. Assets, Liabilities, and Fund Balance

Bank Deposits and Investments - Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value. Pooled investment income is generally allocated to each fund based on the cash balance in each fund.

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds". Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds".

Inventories and Prepaid Items - Payments for inventoriable types of supplies are recorded as expenditures at the time of purchase. Normally expenditures are not divided between years by the recording of prepaid expenses. There were no material inventories at year-end.

Fund Balance - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Notes to the Financial Statements (Continued)

D. Budgets and Budgetary Accounting

P.O. 621 of 1978, Section 18(1), as amended provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the Township's actual expenditures and budgeted expenditures for the budgetary funds have been shown on an activity basis. The approved budgets of the Township for these budgetary funds were adopted to the line item level. The budgets shown in these financial statements are as last amended through June 30, 2004.

During the year ended June 30, 2004, the Township did incur overexpenditures in some activities. Most of these overexpenditures were immaterial and due to auditor adjustments. The following were the material overexpenditures for the year ended:

| | <u>Budget</u> | <u>Amount</u> | <u>Variance</u> |
|-----------------------|---------------|---------------|-----------------|
| Special Revenue Fund: | | | |
| Roads - Public Works | \$ 26,300 | \$ 39,408 | \$ 13,108 |

E. Reporting Entity

The financial statements of Lilley Township do not include any other governmental boards or authorities based on a determination made with the control or dependence in the areas of budget adoption, taxing authority, funding and appointment of respective boards.

F. Encumbrances

The Township does not use any form of encumbrance accounting.

G. Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosures of contingent assets and liabilities, and the reported revenues and expenditures/expenses. Actual results could differ from those estimates.

NOTE B DEPOSITS AND INVESTMENTS

Legal Provisions for Deposits and Investments - The Investment of Surplus Funds of Political Subdivisions Act No. 20, Public Acts of 1943, as amended through December 31, 1997, states the Township, by resolution, may authorize the Treasurer to invest surplus funds in one or more of the following:

- Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution, but only if the financial institution complies with subsection (2).
- Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.
- Repurchase agreements consisting of instruments listed in subdivision (a).
- Bankers' acceptances of United States banks.

Notes to the Financial Statements (Continued)

- f. Obligations of this state or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service.
- g. Mutual funds registered under the investment company act of 1940, title I of chapter 686, 54 Stat. 789, 15 U.S.C. 80a-1 to 801-3 and 80a-4 to 80a-64, with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
However, a mutual fund is not disqualified as a permissible investment solely by reason of either of the following:
 1. The purchase of securities on a when-issued or delayed delivery basis.
 2. The ability to lend portfolio securities as long as the mutual fund receives collateral all times equal to at least 100% of the securities loaned.
 3. The limited ability to borrow and pledge a like portion of the portfolio's assets for temporary or emergency purposes.
- h. Obligations described in subdivisions (a) through (g) if purchased through an interlocal agreement under the Urban Cooperations Act of 1967, 1967 (Ex Sess) PA 7, MCL 124.501 to 124.512.
- i. Investment pools organized under the Surplus Funds Investment Pool Act, 1982 PA 367, 129.111 to 129.118.
- j. The investment pools organized under the Local Government Investment Pool Act, 1985 PA 121, MCL 129.141 to 129.150.

Deposits - The Township maintains pooled cash and investment accounts. Each fund type portion is displayed on the combined balance sheet as "cash and investments" under each fund's caption. All cash deposits are held in the Township's own name at Lake-Osceola State Bank and Independent Bank West Michigan. Following is a schedule of cash insured by the Federal Deposit Insurance Corporation (FDIC).

| | <u>Carrying Value</u> | <u>Market Value</u> | <u>FDIC Insured</u> |
|----------------|-----------------------|---------------------|---------------------|
| NOW Account | \$ 253,184 | \$ 249,438 | \$ 100,000 |
| Tax Account | 991 | 1,106 | 1,106 |
| Total Deposits | <u>\$ 254,175</u> | <u>\$ 250,544</u> | <u>\$ 101,106</u> |

NOTE C PENSION PLAN

The Township provides pension benefits to some of its full time employees through a defined contribution plan administered by The Manufacturers Life Insurance Company. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. As established by the Township Board, the plan is funded by a contribution from the Township of \$100 per range of \$500 of covered employees' salaries or a \$500 maximum contribution limited by Code Section 415 to 25% of a participant's annual compensation. The Township's contributions for each employee (plus interest allocated to the employee's account) are fully vested upon death, total disability, or attainment of normal retirement age (after six months of service). Upon early retirement or termination of employment for any reason, it shall vest in accordance with the vesting schedule in part 7 of the adoption agreement.

The Township's total payroll during the current year was \$66,727, of which \$17,675 was covered by the plan. The employer contribution made during the current year amounted to \$2,055.

NOTE D INSTALLMENT PURCHASE AGREEMENT

On November 12, 2001, the Township entered into an agreement with West Shore Fire, Inc. for the purchase of a 2000 Emergency One Fire Truck, with financing through Lake Osceola State Bank for \$119,000 of purchase price. Payments began December 12, 2001, at \$1,239.04 per month including interest. The annual requirement to amortize long-term debt outstanding as of June 30, 2004, including interest is as follows:

| Year Ended <u>June 30</u> | Fire Truck <u>Loan</u> |
|---------------------------------|------------------------------|
| 2005 | \$ 14,868 |
| 2006 | 14,868 |
| 2007 | 14,868 |
| 2008 | 14,868 |
| 2009 | 14,868 |
| Subsequent Years | <u>35,946</u> |
| Total Payments | 110,286 |
| Interest Portion | <u>17,005</u> |
| Principal Portion | <u>\$ 93,281</u> |

The following is a summary of General Long-Term Debt transactions for the year.

| | Balance <u>07/01/03</u> | New <u>Issues</u> | Debt <u>Retired</u> | Balance <u>06/30/04</u> |
|----------------------|----------------------------|----------------------|------------------------|----------------------------|
| Fire Truck Agreement | <u>\$ 103,587</u> | <u>\$ -</u> | <u>\$ 10,306</u> | <u>\$ 93,281</u> |

NOTE E RISK MANAGEMENT

The Township is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Township carries commercial insurance. Liabilities in excess of insurance coverage, if any, are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated.

TOWNSHIP OF LILLEY

Budgetary Comparison Schedule for General Fund June 30, 2004

| | Budgeted Amounts | | <u>Actual</u> | Variance to <u>Final Budget</u> |
|--|-------------------|-------------------|-------------------|------------------------------------|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues | | | | |
| Taxes | \$ 36,078 | \$ 36,078 | \$ 38,307 | \$ 2,229 |
| Licenses and Permits | 1,650 | 1,650 | 748 | (902) |
| State Grants | 61,271 | 61,271 | 58,843 | (2,428) |
| Charges for Services | 420 | 420 | 1,215 | 795 |
| Interest and Rentals | 1,700 | 1,700 | 1,177 | (523) |
| Refunds and Rebates | 300 | 300 | - | (300) |
| Other | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total Revenues | 101,419 | 101,419 | 100,290 | (1,129) |
| Expenditures | | | | |
| Legislative | 13,725 | 13,725 | 8,315 | 5,410 |
| General Government | 59,705 | 59,705 | 48,283 | 11,422 |
| Public Safety | 20,510 | 20,510 | 15,102 | 5,408 |
| Public Works | 5,500 | 5,500 | 5,788 | (288) |
| Other | <u>18,500</u> | <u>18,500</u> | <u>12,577</u> | <u>5,923</u> |
| Total Expenditures | <u>117,940</u> | <u>117,940</u> | <u>90,065</u> | <u>27,875</u> |
| Excess Revenues Over (Under) Expenditures | (16,521) | (16,521) | 10,225 | 26,746 |
| Fund Balance - July 1 | <u>129,885</u> | <u>129,885</u> | <u>129,885</u> | <u>-</u> |
| Fund Balance - June 30 | <u>\$ 113,364</u> | <u>\$ 113,364</u> | <u>\$ 140,110</u> | <u>\$ 26,746</u> |

TOWNSHIP OF LILLEY

Budgetary Comparison Schedule for Road Fund June 30, 2004

| | Budgeted Amounts | | | Variance to |
|------------------------------|------------------|-----------------|-----------------|---------------------|
| | <u>Original</u> | <u>Final</u> | <u>Actual</u> | <u>Final Budget</u> |
| Revenues | | | | |
| Taxes | \$ 20,884 | \$ 20,884 | \$ 22,094 | \$ 1,210 |
| PILT | 2,300 | 2,300 | 2,322 | 22 |
| Charges for Services | 2,968 | 2,968 | 2,497 | (471) |
| Refunds and Rebates | 150 | 150 | - | (150) |
| Other | <u>-</u> | <u>-</u> | <u>4,500</u> | <u>4,500</u> |
| Total Revenues | 26,302 | 26,302 | 31,413 | 5,111 |
| Expenditures | | | | |
| Public Works | <u>26,300</u> | <u>26,300</u> | <u>39,408</u> | <u>(13,108)</u> |
| Total Expenditures | <u>26,300</u> | <u>26,300</u> | <u>39,408</u> | <u>(13,108)</u> |
| Excess Revenues Over (Under) | | | | |
| Expenditures | 2 | 2 | (7,995) | (7,997) |
| Fund Balance - July 1 | <u>9,302</u> | <u>9,302</u> | <u>9,302</u> | <u>-</u> |
| Fund Balance - June 30 | <u>\$ 9,304</u> | <u>\$ 9,304</u> | <u>\$ 1,307</u> | <u>\$ (7,997)</u> |

TOWNSHIP OF LILLEY

Budgetary Comparison Schedule for Sanitation Fund June 30, 2004

| | Budgeted Amounts | | | Variance to |
|------------------------------|------------------|------------------|------------------|---------------------|
| | <u>Original</u> | <u>Final</u> | <u>Actual</u> | <u>Final Budget</u> |
| Revenues | | | | |
| Taxes | <u>\$ 62,670</u> | <u>\$ 62,670</u> | <u>\$ 66,300</u> | <u>\$ 3,630</u> |
| Total Revenues | 62,670 | 62,670 | 66,300 | 3,630 |
| Expenditures | | | | |
| Public Works | <u>59,020</u> | <u>59,020</u> | <u>47,744</u> | <u>11,276</u> |
| Total Expenditures | <u>59,020</u> | <u>59,020</u> | <u>47,744</u> | <u>11,276</u> |
| Excess Revenues Over (Under) | | | | |
| Expenditures | 3,650 | 3,650 | 18,556 | 14,906 |
| Fund Balance - July 1 | <u>40,289</u> | <u>40,289</u> | <u>40,289</u> | <u>-</u> |
| Fund Balance - June 30 | <u>\$ 43,939</u> | <u>\$ 43,939</u> | <u>\$ 58,845</u> | <u>\$ 14,906</u> |

TOWNSHIP OF LILLEY

Budgetary Comparison Schedule for Fire Fund June 30, 2004

| | Budgeted Amounts | | | Variance to |
|------------------------------|------------------|------------------|------------------|---------------------|
| | <u>Original</u> | <u>Final</u> | <u>Actual</u> | <u>Final Budget</u> |
| Revenues | | | | |
| Taxes | \$ 30,702 | \$ 30,702 | \$ 32,450 | \$ 1,748 |
| Charges for Services | <u>37,770</u> | <u>37,770</u> | <u>43,175</u> | <u>5,405</u> |
| Total Revenues | 68,472 | 68,472 | 75,625 | 7,153 |
| Expenditures | | | | |
| Public Safety | <u>66,900</u> | <u>66,900</u> | <u>63,033</u> | <u>3,867</u> |
| Total Expenditures | <u>66,900</u> | <u>66,900</u> | <u>63,033</u> | <u>3,867</u> |
| Excess Revenues Over (Under) | | | | |
| Expenditures | 1,572 | 1,572 | 12,592 | 11,020 |
| Fund Balance - July 1 | <u>34,950</u> | <u>34,950</u> | <u>34,950</u> | <u>-</u> |
| Fund Balance - June 30 | <u>\$ 36,522</u> | <u>\$ 36,522</u> | <u>\$ 47,542</u> | <u>\$ 11,020</u> |

TOWNSHIP OF LILLEY

Combining Balance Sheet - Non-Major Governmental Funds June 30, 2004

| | <u>Electrical Cemetery</u> | <u>Building Inspector</u> | <u>Inspector</u> | Total Non-Major Governmental Funds |
|--------------------------------------|--------------------------------|-------------------------------|------------------|---|
| Assets | | | | |
| Cash | \$ 2,938 | \$ 4,216 | \$ 1,503 | \$ 8,657 |
| Due from Other Funds | <u>5</u> | <u>-</u> | <u>-</u> | <u>5</u> |
| | <u>\$ 2,943</u> | <u>\$ 4,216</u> | <u>\$ 1,503</u> | <u>\$ 8,662</u> |
| Liabilities and Fund Equity | | | | |
| Liabilities | | | | |
| Accounts Payable | \$ - | \$ - | \$ - | \$ - |
| Fund Balances | | | | |
| - Unreserved | <u>2,943</u> | <u>4,216</u> | <u>1,503</u> | <u>8,662</u> |
| Total Liabilities and Fund Equity | <u>\$ 2,943</u> | <u>\$ 4,216</u> | <u>\$ 1,503</u> | <u>\$ 8,662</u> |

TOWNSHIP OF LILLEY

Combining Statement of Revenues, Expenditures and Changes in Fund Balance - Non-Major Governmental Funds June 30, 2004

| | <u>Cemetery</u> | <u>Electrical Inspector</u> | <u>Building Inspector</u> | Total Non-Major Governmental Funds |
|--|-----------------|---------------------------------|-------------------------------|---|
| Revenues | | | | |
| Property Taxes | \$ 5,404 | \$ - | \$ - | \$ 5,404 |
| Charges for Services | 945 | - | - | 945 |
| Licenses and Permits | <u>-</u> | <u>3,607</u> | <u>10,664</u> | <u>14,271</u> |
| Total Revenues | 6,349 | 3,607 | 10,664 | 20,620 |
| Expenditures | | | | |
| Public Safety | | | | |
| Salaries and Wages | - | 2,815 | 7,779 | 10,594 |
| Payroll Taxes | - | 215 | 595 | 810 |
| Supplies | - | 58 | 434 | 492 |
| Education | - | - | 80 | 80 |
| Miscellaneous | <u>-</u> | <u>-</u> | <u>386</u> | <u>386</u> |
| Total Public Safety | - | 3,088 | 9,274 | 12,362 |
| Public Works | | | | |
| Salaries and Wages | 2,433 | - | - | 2,433 |
| Payroll Taxes | 186 | - | - | 186 |
| Supplies | 1,405 | - | - | 1,405 |
| Contracted Services | 164 | - | - | 164 |
| Insurance and Bonds | 196 | - | - | 196 |
| Utilities | 74 | - | - | 74 |
| Repairs | 75 | - | - | 75 |
| Capital Outlay | <u>4,001</u> | <u>-</u> | <u>-</u> | <u>4,001</u> |
| Total Public Works | <u>8,534</u> | <u>-</u> | <u>-</u> | <u>8,534</u> |
| Total Expenditures | <u>8,534</u> | <u>3,088</u> | <u>9,274</u> | <u>20,896</u> |
| Excess Revenues Over (Under) Expenditures | (2,185) | 519 | 1,390 | (276) |
| Fund Balance - July 1 | <u>5,128</u> | <u>3,697</u> | <u>113</u> | <u>8,938</u> |
| Fund Balance - June 30 | <u>\$ 2,943</u> | <u>\$ 4,216</u> | <u>\$ 1,503</u> | <u>\$ 8,662</u> |

TOWNSHIP OF LILLEY

Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund For the Fiscal Year Ended June 30, 2004

| | <u>Budget</u> | <u>Actual</u> | <u>Favorable (Unfavorable)</u> |
|---------------------------|---------------|---------------|------------------------------------|
| Revenues | | | |
| Taxes | \$ 29,417 | \$ 31,086 | \$ 1,669 |
| PTAF | 6,661 | 7,221 | 560 |
| Licenses and Permits | 1,650 | 748 | (902) |
| State Grants | 61,271 | 58,843 | (2,428) |
| Charges for Services | 420 | 1,215 | 795 |
| Interest | 700 | 591 | (109) |
| Rentals | 1,000 | 586 | (414) |
| Refunds and Rebates | <u>300</u> | <u>-</u> | <u>(300)</u> |
| Total Revenues | 101,419 | 100,290 | (1,129) |
| Expenditures | | | |
| <u>Legislative</u> | | | |
| Township Board | | | |
| Salaries and Wages | | 2,175 | |
| Professional Services | | 4,923 | |
| Supplies | | 140 | |
| Printing and Publishing | | 246 | |
| Dues and Memberships | | 478 | |
| Miscellaneous | | <u>353</u> | |
| Total Legislative | 13,725 | 8,315 | 5,410 |
| <u>General Government</u> | | | |
| Supervisor | | | |
| Salaries and Wages | | 4,700 | |
| Other | | <u>40</u> | |
| | 4,850 | 4,740 | 110 |
| Elections | | | |
| Salaries and Wages | | 388 | |
| Supplies | | 200 | |
| Printing and Publishing | | 1,090 | |
| Other | | <u>3</u> | |
| | - | 1,681 | (1,681) |
| Assessor | | | |
| Contracted Services | | 11,500 | |
| Supplies | | <u>400</u> | |
| | \$ 11,900 | \$ 11,900 | \$ - |

Statement of Revenues, Expenditures and
Changes in Fund Balance - General Fund (Continued)

| | <u>Budget</u> | <u>Actual</u> | <u>Favorable (Unfavorable)</u> |
|--------------------------|---------------|---------------|------------------------------------|
| Clerk | | | |
| Salaries and Wages | | \$ 5,962 | |
| Office Supplies | | 732 | |
| Dues and Memberships | | 25 | |
| Miscellaneous | | <u>400</u> | |
| | \$ 11,025 | 7,119 | \$ 3,906 |
| Board of Review | | | |
| Salaries and Wages | | 900 | |
| Miscellaneous | | 120 | |
| Supplies | | 20 | |
| Transportation | | 48 | |
| Printing and Publishing | | <u>208</u> | |
| | 1,480 | 1,296 | 184 |
| Treasurer | | | |
| Salaries and Wages | | 5,322 | |
| Office Supplies | | 1,205 | |
| Miscellaneous | | <u>130</u> | |
| | 7,900 | 6,657 | 1,243 |
| Buildings and Grounds | | | |
| Salaries and Wages | | 5,238 | |
| Utilities | | 4,732 | |
| Repairs | | 966 | |
| Miscellaneous | | 86 | |
| Supplies | | 1,190 | |
| Contracted Service | | 360 | |
| Capital Outlay | | <u>2,318</u> | |
| | <u>22,550</u> | <u>14,890</u> | <u>7,660</u> |
| Total General Government | 59,705 | 48,283 | 11,422 |
| Public Safety | | | |
| Zoning | | | |
| Salaries and Wages | | 5,790 | |
| Per Diem | | 1,935 | |
| Supplies | | 127 | |
| Transportation | | 77 | |
| Miscellaneous | | <u>143</u> | |
| | 13,510 | 8,072 | 5,438 |
| Rescue Squad | <u>7,000</u> | <u>7,030</u> | <u>(30)</u> |
| Total Public Safety | \$ 20,510 | \$ 15,102 | \$ 5,408 |

Statement of Revenues, Expenditures and
Changes in Fund Balance - General Fund (Continued)

| | <u>Budget</u> | <u>Actual</u> | <u>Favorable (Unfavorable)</u> |
|--|-------------------|-------------------|------------------------------------|
| Public Works | | | |
| Street Lighting | \$ 5,500 | \$ 5,788 | \$ (288) |
| Other | | | |
| Retirement | 5,000 | 2,055 | 2,945 |
| Insurance | 11,500 | 8,922 | 2,578 |
| Payroll Taxes | <u>2,000</u> | <u>1,600</u> | <u>400</u> |
| Total Other | <u>18,500</u> | <u>12,577</u> | <u>5,932</u> |
| Total Expenditures | <u>117,940</u> | <u>90,065</u> | <u>27,875</u> |
| Excess Revenues Over (Under) Expenditures | (16,521) | 10,225 | 26,746 |
| Fund Balance - July 1 | <u>129,885</u> | <u>129,885</u> | <u>-</u> |
| Fund Balance - June 30 | <u>\$ 113,364</u> | <u>\$ 140,110</u> | <u>\$ 26,746</u> |

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CERTIFIED PUBLIC ACCOUNTANTS
BUSINESS CONSULTANTS



November 30, 2004

Township Board
Township of Lilley
Bitely, MI 49309

Dear Board Members:

In planning and performing our audit of the financial statements of Lilley Township, for the year ended June 30, 2004, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on internal control.

However, during our audit, we became aware of certain matters that are opportunities for strengthening internal controls and operating efficiency. This letter does not affect our report dated November 30, 2004, on the financial statements of Lilley Township.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various Township personnel, and we will be pleased to discuss these comments in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations. Our comments are summarized as follows:

PRIOR YEAR COMMENTS

Books and Records

We are happy to note that our prior audit recommendation regarding the attachment of invoices to the check copy has been implemented. We did not find any missing invoices during the current audit period.

Budgeting

We are also pleased to see that the Township implemented one of the prior audit recommendations by considering fund equity during the budgeting process and transferring money as needed to avoid a deficit fund balance.

As we indicated during the last audit, the Township spent a material amount over the budget. Contracted services in the road fund spent \$13,000 more than budgeted. Although there were no budget amendments for the current year, we do realize that the Township does have a good handle on the budgeting process, as amendments have been made in the prior years. We recommend that the Board regularly compare the budget to actual expenditures and make amendments as necessary.

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CURRENT YEAR COMMENTS

Books and Records

We again found the records to be maintained in excellent condition by both the clerk and treasurer, however, some information was not available to us during the first day of the audit. We ask that if any board member has questions regarding what information is needed by our staff, to contact us before the scheduled audit date to ensure an efficient audit process.

GASB 34 - Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments

The Township has chosen not to conform to GASB 34 in its entirety for the current audit year. We understand that a new accounting program will be in place for the next audit period and at that time the full implementation of GASB 34 will take place.

This statement makes many changes to the presentation of the financial statements. One of the most substantial changes is to add government-wide financial statements which are prepared using economic resources measurement focus and the full accrual basis of accounting (used by most for-profit businesses). These statements would also report the Township's fixed assets and infrastructure at original purchase less depreciation. The fund financial statements will continue to be presented as well, however, the columns presented will change to the general fund and other "major" funds (this was implemented in the current year) and a summary reconciliation will be required to identify the differences between the government-wide and fund reports. In addition, a Management's Discussion and Analysis (MD&A) will be required. The MD&A is prepared by the chief administrative officer (supervisor) and would include analysis and descriptions of significant changes over prior years, condensed presentation of current and prior year financial information and other descriptions of facts, conditions, or decisions which management expects did or will have a significant effect on the financial statements. This statement also prescribes the Required Supplementary Information (RSI) to include budgetary comparison schedules (as currently prescribed by the State of Michigan), however, with the addition of the originally adopted budget (as well as the final amended budget). This last requirement was also adopted in the current year.

Also be aware that the State of Michigan has indicated that the audits will still be acceptable if the Township wishes to omit the government-wide financial statements, the MD&A, and the infrastructure information, however, these omissions will require us to again give an adverse audit opinion. As you can see the changes in your financial statements will be substantial, if you decide to fully implement this standard. Of course, we would be happy to assist you in any way regarding the implementation of this new standard.

Please call our office if you have any questions or comments regarding this letter. We look forward to continuing to serve you.

Respectfully submitted,



Jodi DeKuiper, CPA
Hendon & Slate, PC